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## **Opening**

### **Haley Barbour -- Success**

Haley Barbour had a plan to help President Reagan change America when he worked for him in the 1980s. He had a plan to help retake Congress in 1994 and begin the Republican dominance we see today in American politics. He had a plan to make his government relations firm the #1 in the country. And he has a plan for Mississippi that is showing the same signs of success.

### **2004 Successes**

The Governor's first priority was to begin reversing Mississippi's job loss numbers. He had a plan to do that: enact tort reform, reform workforce development and keep taxes low.

#### **Ending Lawsuit Abuse in Mississippi**

To help attract businesses to Mississippi, Governor Barbour helped pass the Tort Reform Act of 2004. *The Wall Street Journal* called it "the most comprehensive tort reform legislation in the country."

#### **Building a Stronger Mississippi Workforce**

To help attract businesses to Mississippi, Governor Barbour initiated the largest overhaul of workforce

training efforts in state history by passing the Workforce Development Act of 2004.

### Introducing Industry to Mississippi

Mississippi found out last year that Haley Barbour has quite a Rolodex our state can now tap into. In just six months in office, Governor Barbour has helped bring several major economic development deals to Mississippi – including four who were his former clients: Textron (Greenville), Faurecia (Cleveland), FedEx Ground (Olive Branch), and the Atlanta Braves AA Franchise (Pearl).

### Job Creation is happening again in Mississippi

The results in one year have been remarkable. The State Economist reports and the US Department of Labor confirms, Mississippi had more net new jobs created in 2004 than in any year since 1999. Where from January 2000 until January 2004, Mississippi had a net loss of 39,000 jobs; in the last twelve months, we've had a net increase of 10,000 jobs.

The manufacturing sector in our state had lost 66,000 jobs in the last ten years – 51,000 of those in the four years prior to 2004. Last year the number of manufacturing jobs increased for the first time since 1998.

More important, personal income in Mississippi is increasing at the fastest rate since 1998. We're seeing not only more jobs, but higher paying jobs, and the Mississippi Development Authority tells us they've never had as many prospects to work.

### Getting Control of Mississippi's Out-of-Control Budget

In keeping with his pledge to clean up the state's budget mess, Governor Barbour used his "Operation: Streamline" plan – the largest cost-saving plan in state history -- to reduce Mississippi's \$709 million budget

shortfall by 43% in only one year. I shutter to think how bad this year's budget crisis would have been if the Governor's savings had not been enacted last year.

#### Keeping Education Promises

During the worst budget crisis in state history, Governor Barbour kept his commitment to fully-fund the teacher pay raise and save our universities and community colleges from more drastic cuts.

#### Re-Focusing Mississippi on the Fight Against Drugs

Governor Barbour reorganized the MS Bureau of Narcotics with the MS Department of Public Safety and drug arrests are up 73% over last year.

#### Protecting the Unborn

Governor Barbour helped pass six pro-Life laws last year that help make Mississippi "the safest place in America for an unborn child." Americans United for Life - a national pro-life group - gave the Governor an award for his efforts last Summer.

#### Fixing Mississippi Medicaid

Thanks to the Governor, Mississippi is now offering Medicaid recipients free physicals and help in finding a reliable place to get preventive health care. And taxpayers should know that, for the first time, Mississippi will be interviewing Medicaid recipients to make sure that the *only* people on our Medicaid rolls are the truly needy.

## **2005 Legislative Agenda**

The Governor is proposing several pieces of legislation this year to address some of our state's most pressing needs. In 2005, his agenda can be summed up in three words: "UpGrade," "Momentum" and "Streamline." He is seeking to *UpGrade* the fundamentals of Mississippi education,

continue our *Momentum* in job creation, and *Streamline* our state budget back into structural balance. These are three different subjects that serve the same end. Students in our schools become workers in our economy, and workers in our economy become taxpayers to our budget. Mississippi students, workers and taxpayers will get the Governor's personal attention in 2005.

### **"UpGrade" Education**

The Governor's education reform proposal will be the most comprehensive re form of Mississippi's public schools since Governor William Winter's Education Reform Act of 1982. His focus is on education fundamentals, not just education funding. The package is highlighted by proposals to liberate Level 4 and 5 schools in Mississippi from state bureaucracy, giving teachers and entire schools raises based on increases in student performance, redesign high schools to better prepare students for college and work, privatize non-education functions, allow for more youth court involvement in school discipline problems, and give incentives to child care centers that offer more learning opportunities for pre-school children.

#### **UpGrade: Put Teaching First**

- Honor the state's commitment to the 8% pay raise
- More money for textbook and supplies
- Pay for performance
- More pay for hard to staff subject areas
- Career ladder for teachers: Mentoring program
- Retired teacher re-employment
- Teachers meeting the Highly Qualified Teacher receive state certification

#### **UpGrade: Student Discipline**

- Middle School Mentor Corp for better classroom management
- Disciplinary Review Board: appeal process to certain principal decisions

- Transfer Mississippi School Safety Center to the regional service agencies
- More timely parental response to their student's discipline issues

#### Upgrade: Liberate Successful Schools

- Exempt Level 4 and 5 schools from MDE process standards
- MDE to focus its resources on Level 1, 2, and 3 schools
- Grant "Home Rule" to high-performing school districts (average Level 4)
- Expand Mississippi's charter school law
- Title 37 Review Task Force (by Executive Order)

#### Upgrade: Efficient Use of Resources

- Transparency in budgeting by itemization of MAEP variables and add-ons
- More public accessibility to school's budgets
- Express authority to districts for privatization of non-academic functions

#### Upgrade: Redesign High School

- Dual credit for high school Carnegie units and college credit
- Give all public school 10th graders free access to AP placement test
- By 2007-2008 school year, districts offer students core subject AP tests
- Make high school students ability to obtain an industry-recognized certification a priority of the MDE's Department of Vocational Education
- Establish the "Industry Certification Partnership" to encourage businesses to offer high school students scholarships for industry specific training

- Establish a “High School Commission” to align educational functions

#### UpGrade: Early Childhood Development

- Align state entities with early childhood education responsibility through the Advisory Board of the Interagency Council within the DHS
- Require educational component for top-tiered childcare centers receiving assistance through DHS and Child Care Certificates.
- Develop a quality rating scale for childcare centers, based on an easy-to-understand star system, implemented immediately and posted for parents
- Move licensure from MSDH to DHS to streamline state licensing function
- Form a task force to study the utility of a statewide Education Extension Service to foster early childhood development skills and knowledge

#### **Momentum Mississippi**

By adopting Momentum Mississippi’s proposal, Governor Haley Barbour believes the state should reach for new heights in economic development. Momentum Mississippi is a group of statewide business leaders, organized by the governor, and created to help formulate a long-range economic development plan for the state. Their plans seek to update Mississippi’s economic development incentive programs for the 21<sup>st</sup> Century which would make the state more competitive in the Southeast, yet assuring financial stability and accountability in the programs.

#### **Operation: Streamline II/The Flex 5 Plan**

This plan gives Mississippi the flexibility to save 5% and the opportunity to balance the budget. The Governor’s proposal focuses on job creation by rejecting any tax increase on Mississippians, and it dedicates more education dollars to

the classroom rather than to the administration. Operation: Streamline II level funds law enforcement, public safety and homeland security and increases support for health care needs while addressing the spiraling costs of our Medicaid program. This proposal takes a hard look at bringing Mississippi's budget into structural balance through more efficiency in state government. And state agencies would be given a lump sum appropriation and removal from personnel board restrictions to help save 5%.

### Highlights

- Represents a 2.4% increase over the FY05 actual budget (General Fund, BCF, EEF, HCEF) for a total budget of \$4.5 billion for General Fund agencies.
- Gives state general and special fund agencies the flexibility to save 5% during the next fiscal year - saving almost \$100 million
- Identifies additional savings and reallocations of more than \$211 million
- Rejects raising taxes on Mississippians which would encourage continued irresponsible spending and damage Mississippi's economic growth

### Education

- Fully funds the teacher pay raise - keeping Mississippi's commitment
- Increases MAEP (Mississippi Adequate Education Program) funding by 4% over last year -- increases classroom dollars in MAEP by 8% while reducing administrative costs in schools by 5%
- Adds \$3.5 million to textbook funding for Mississippi schools which could purchase more than 50,000 new textbooks

- Doubles the appropriation for classroom instructional supplies

### Health Care

- Prioritizes the \$20 million “Partnership” segment of the Mississippi Tobacco Settlement Fund to be used for the state’s more critical health care responsibility – Medicaid recipients.
- Maintains funding level for Mississippi’s University Medical Center, which is the primary provider of charity care in Mississippi
- Increases funding for Mississippi’s Medicaid program by \$43 million, or 10.25%.

### Public Safety

- Addresses Mississippi’s Highway Patrolman shortage by providing funding for a long overdue trooper school which will add 50 new trained and equipped officers
- Maintains the funding level for the Mississippi Bureau of Narcotics which has recently produced a 73% increase in drug arrests
- Maintains current funding level for Mississippi’s National Guard and Office of Homeland Security who are currently engaged in the War on Terror
- Implements a fleet management program administered by the Department of Finance and Administration to realize cost-savings from Mississippi’s fleet of more than 9,000 state vehicles – one of the nation’s largest fleets per capita (DFA estimates the state vehicle fleet could be reduced by more than 1300 cars)

**A tax hike is Mississippi’s biggest threat today**



### The Bill is Due

It is no secret that under the previous administration, this state government spent more than it took in. Spending surpassed revenue – on a massive scale. Pay raises, special projects and funding formulas were generously handed out with the wave of a credit card. Unfortunately, the arrival of the bill for that credit card has created Mississippi's most serious budget crisis in its history. As we work to solve this crisis, there are some who say we have only two choices: to cut or to tax. The Governor believes there is a third option. It is the same option most people choose when their bills come due. That option is to save.

### The Disaster Plan

If we reject the savings and the reallocations proposed in "Operation: Streamline II, then to fund just MAEP, the Medicaid PLADS program, and bailout the Beef Processing Plant approved in 2002, we would need an increase in taxes of nearly \$900 million dollars. Let me put that into perspective: that would be a 20% increase in the personal income tax; a 20% increase in the corporate income tax; a 20% increase in the sales tax and a \$1.00 per pack cigarette tax increase. These are enormous, unprecedented tax increases – the largest in Mississippi history by far. That is what I call a "Disaster Plan."

### Tennessee's Tax Trap

We have seen other states reject savings and fall into the tax trap. States like Tennessee, for example, raised taxes by \$900 million with no spending controls and two years later they are moving 400,000 Medicaid recipients off of Medicaid and on their own – not moving them to Medicare, but on their own. Mississippi must not make the same mistake. Raising taxes is the easy way out for politicians. It only serves to relieve politicians from having to do the hard work of reorganizing their government more efficiently. Raising taxes is a short term fix to a long term problem.

With effective management, budget problems eventually ease, but tax hikes never go away. Long after state government's deficits are gone, Mississippians will still be paying those additional taxes.

### Higher Taxes Would Kill our Economy

We do not need higher tax rates in Mississippi, we need more taxpayers, and raising taxes hurts our efforts to have more taxpayers. When their taxes are raised many existing businesses in Mississippi will lay off workers and not hire new workers so they can pay their higher tax bill. Raising taxes also makes it harder for us to attract new business to Mississippi. In a competitive economic development market, Mississippi needs every advantage it can get, and seeking to be a low tax state is such an advantage. Industrial prospect know now that their corporate taxes will be fair in Mississippi, and they know now that the wage they pay their employees will go farther in Mississippi. We cannot lose that advantage.

### Real People Pay Higher Taxes

I hope we all remember everyday Mississippians as we make decisions about our budget. Do you really want to make Darlene a tax target? Darlene is a 45 year old smoker who works the night shift at a convenience store. Like the average smoker, she makes \$6,000 less than other Mississippians. She is a tax target simply because of the product she's sadly addicted to.

- Do you really want to make Sam a tax target? Sam is a 52 year old owner of a feed store. He is a tax target simply because he owns a small business.
- Do you really want to make the Johnson Family a tax target? The Johnsons are a family of four with an average income who are a tax target simply because they pay sales taxes and income taxes. What some call

pennies a day add up to hundreds of dollars every year the Johnsons can't spend on their family.

- Do you really want to make Tina a tax target? Tina is a 21 year old unwed mother who was unemployed until she got a job at a new industry that recently located in her town. The business she works for is a tax target which means she might lose her job so her employer can pay the additional taxes and make budget.
- You see, behind every statistic there is a story. There are those who depend on state government services, but there are also those who pay for those government services. The Governor wishes no harm on either group. That is why Governor Barbour looks to state government itself as the place to solve many of our budget woes.

#### Mississippi Can Be Run More Efficiently

If you believe that taxes should be raised, then you must also believe that state government is being run as efficiently as possible. Let me assure you that Mississippians do not share that belief. The State of Mississippi employs more state employees than many other states. The State of Mississippi has one of the highest ratios of state-owned vehicles per capita in the nation. The State of Mississippi spends a large percent of its education budget on administration. The State of Mississippi might lose millions in a questionable development project. We can do better. My friends, I submit to you that the State of Mississippi can save millions every year - sparing many of those who otherwise would be cut or taxed.

## **Closing**